

The meeting was held at 10:00 a.m. on Tuesday, January 10, 2006, at the Clark County Commission Chambers, 500 S. Grand Central Parkway, Las Vegas, Nevada.

COMMISSIONERS IN ATTENDANCE

Chairman
Vice Chairman
Commissioner
Commissioner
Commissioner

Richard W. Bunker
Jay D. Bingham
Marybel Batjer
Ace I. Robison
Myrna Williams

COMMISSIONERS NOT IN ATTENDANCE

Commissioner
Commissioner

Andrea Anderson
Shari Buck

DEPUTY ATTORNEYS GENERAL

Senior Deputy Attorney General
Senior Deputy Attorney General

Jennifer Crandell
Gerald A. López

COMMISSION STAFF IN ATTENDANCE

Executive Director
Acting Deputy Director and Chief, Finance & Administration
Manager of Regulatory and Intergovernmental Affairs
Energy Services Group Manager
Assistant Director of Engineering and Operations
Division Chief, Water
Natural Resource Specialist
Natural Resource Specialist
Natural Resource Technician
Hydropower Program Manager
Program Officer III
Program Officer II
Accountant II
Office Manager
Administrative Assistant II

George M. Caan
Douglas Beatty
James D. Salo
Gail A. Bates
Robert Reese
James H. Davenport
McClain Peterson
Nicole Everett
Anthony Miller
Craig Pyper
Jason Thiriot
Lisa Ray
Gail Benton
Deanna Bruno
Brenda Haymore

OTHERS PRESENT, REPRESENTING

American Pacific Corporation
Bunker & Associates
Kummer, Kaempfer, Bonner & Renshaw
Las Vegas Sun
Nevada Power Company
Overton Power District No. 5
Piercy Bowler Taylor and Kern
Tronox LLC
Tronox LLC

Jack Stonehocker
Melissa Trammell
Mark Alvarez
Launce Rake
Bill Carner
Delmar Leatham
Richard Bowler
John Holmstrom
Scott Haigh

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF JANUARY 10, 2006**

INDEX

<u>Agenda Item</u>	<u>Subject</u>	<u>Page No.</u>
A.	Conformance to Open Meeting Law.....	1
B.	Approval of minutes of the November 8, 2005, meeting	1
C.	Selection of Vice Chairman	1
D.	Presentation of the Colorado River Commission Annual Financial Report for Year ended June 30, 2005	1
E.	Consideration of and possible action on award of Contract No. CRCPDP-19 for the procurement of substation steel and Contract No. CRCPDP-20 for the procurement of major substation equipment for the Hacienda Substation Upgrade Project	2-3
F.	Consideration of and possible adoption of Resolution 2006-01, supporting the development of in-state, non-Colorado River water resources identified in the Water Resource Portfolio of the Southern Nevada Water Authority.....	3-6
G.	Consideration of and possible action to approve an Amended and Restated Electric Power Supply Agreement (“Amended and Restated Supply Agreement”) between the Colorado River Commission of Nevada (“CRC”) and the Southern Nevada Water Authority (“SNWA”)	6-7

**COLORADO RIVER COMMISSION
OF NEVADA
MEETING OF JANUARY 10, 2006**

INDEX (Continued)

<u>Agenda Item</u>	<u>Subject</u>	<u>Page No.</u>
H.	Consideration of and possible action on approval of:	
1.	Distribution-Only Service Agreement (“DOS Agreement”) between Nevada Power Company (“Nevada Power”), the Las Vegas Valley Water District (“LVVWD”), and the Colorado River Commission of Nevada (“CRC”) for service to certain LVVWD electrical loads.	
2.	Service Agreement for Network Integration Transmission Service (“TSA”) between Nevada Power Company (“Nevada Power”), the Las Vegas Valley Water District (“LVVWD”), and the Colorado River Commission of Nevada (“CRC”) for service to certain LVVWD electrical loads	7-8
I.	Consideration of and possible action on ratification of an agreement for economic and financial consulting services with Exeter Associates, Inc., relating to management of the Southern Nevada Water Authority’s electrical power portfolio.....	8-9
J.	Consideration of and possible action on approval of the “Third Amendatory Contract for Professional Services” with the law firm of Miller Balis & O’Neil, P.C., to extend the term of the contract and adjust hourly rates	9
K.	Update on the status of discussions regarding shortages criteria and other developments on the Colorado River	9-13
L.	Comments and questions from the public.....	13
M.	Comments and questions from the Commission members.....	13
N.	Next meeting date selection	13

The Colorado River Commission meeting was called to order by Chairman Bunker at 10:15 a.m. followed by the pledge of allegiance. Commissioner Bingham joined the meeting via telephone conference.

A. Conformance to Open Meeting Law.

Executive Director George Caan confirmed that the meeting was in compliance with the Open Meeting Law.

B. Approval of the minutes of the November 8, 2005, meeting.

Commissioner Williams moved for approval of the minutes of the November 8, 2005, meeting as written. The motion was approved by a unanimous vote of those present. Commissioner Robison was not present for the vote.

C. Selection of Vice Chairman.

Chairman Bunker nominated Commissioner Bingham to be Vice Chairman of the Commission.

Commissioner Williams moved to close nominations and to accept the nomination of Commissioner Bingham as Vice Chairman of the Commission. The motion was approved by a unanimous vote of those present. Commissioner Robison was not present for the vote.

D. Presentation of the Colorado River Commission Annual Financial Report for Year ended June 30, 2005.

Richard Bowler of the accounting firm of Piercy Bowler Taylor and Kern reported that the audit of the Commission's financial statements for the year ending June 30, 2005, have been completed and the firm has issued its unqualified opinion thereon. There were no comments required by statute to be read into the record.

Chairman Bunker asked if there were any questions from the Commission. There were none. Chairman Bunker added that the Commission is appreciative of the efforts and assistance provided to the CRC staff by Mr. Bowler and his staff.

Commissioner Bingham disconnected from the telephone conference and arrived for the meeting.

Chairman Bunker moved for approval of the June 30, 2005, financial statements as written. The motion was approved by a unanimous vote of those present. Commissioner Robison was not present for the vote.

E. Consideration of and possible action on award of Contract No. CRCPDP-19 for the procurement of substation steel and Contract No. CRCPDP-20 for the procurement of major substation equipment for the Hacienda Substation Upgrade Project.

Executive Director George Caan stated that Mr. Robert Reese would present this item.

Mr. Reese reported that for the past several months, staff initiated activities to procure owner-furnished materials for the Hacienda Substation Upgrade Project. Staff was proactive in its approach to identifying components of the project that could possibly have a long lead time. Contract No. CRCPDP-19 was prepared to allow purchase of necessary structural and miscellaneous steel, including static masts, switch structures, bus supports and terminator structures. Contract No. CRCPDP-20 was prepared to allow purchase of the necessary power transformers, power circuit breakers and the substation relay panel. On October 21, 2005, CRC released Contract No. CRCPDP-19 to six pre-qualified vendors. Three vendors responded to CRC's solicitation. Bids were received from Dis-Tran Steel Pole, LLC, for \$96,186.00 with a delivery schedule of 22 weeks; Valmont/Newmark Industries, Inc., for \$92,828.00 with a delivery schedule of 15 weeks; and Falcon Steel Company for \$91,267.00 with a delivery schedule of 18 to 30 weeks. On November 8, 2005, CRC released Contract No. CRCPDP-20 to fifteen pre-qualified vendors. Ten vendors responded to CRC's solicitation. For bid item 401, Power Transformers, bids were received from Delta Star, Inc., for \$293,670.00 with a delivery schedule of 36-42 weeks; VA Tech Ferranti-Packard de Mexico for \$305,500.00 with a delivery schedule of 40-45 weeks; and Wakesha Electric Systems for \$351,486.00 with a delivery schedule of 36-45 weeks. For bid item 403, Substation Relay Panels, bids were received from Electrical Power Products, Inc., for \$60,223.00 with a delivery schedule of 12-14 weeks; Applied Industrial Controls, Inc., for \$80,945.00 with a delivery schedule of 24 weeks; and Carter & Crawley, Inc., for \$65,050.00 with a delivery schedule of 20 weeks. For bid item 402, Power Circuit Breakers, the interrupting current requirements for the Hacienda Substation are currently being re-evaluated. Staff will provide a recommendation for award of that contract at a future Commission meeting.

Staff recommended that Contract No. CRCPDP-19 be awarded to Falcon Steel Company for \$91,267.00 for all bid items; Contract No. CRCPDP-20, bid item 401 to be awarded to VA Tech Ferranti-Packard de Mexico for \$305,500.00; Contract No. CRCPDP-20, bid item 403 to be awarded to Electrical Power Products, Inc., for \$60,223.00. The contract bid prices total \$456,990.00. Staff requested contract authority of \$502,689.00 which includes a 10 percent contingency for quantity adjustments and change orders.

Chairman Bunker asked if the delivery schedule of up to 42 weeks on bid item 401 is consistent with the project schedule.

Mr. Reese said that the delivery schedule will work well with the project schedule since the contractor will not be on-site until some time in August or September of 2006 and that the project is due for completion in March of 2007. Mr. Reese further stated that

some of the components will be delivered early and stored at the Newport Substation until time of use.

Chairman Bunker added that the substation has deteriorated which is why the rehabilitation is taking place, and indicated that the CRC and SNWA would continue to review the power delivery equipment.

Commissioner Williams moved for approval. The motion was approved by a unanimous vote of those present. Commissioner Robison was not present for the vote.

Commissioner Robison arrived at the meeting.

<p>F. Consideration of and possible adoption of Resolution 2006-01, supporting the development of in-state, non-Colorado River water resources identified in the Water Resource Portfolio of the Southern Nevada Water Authority.</p>
--

Executive Director George Caan reported that in 2005, the Commission expressed a desire to learn more about the development of in-state water resources by the SNWA in northern Nevada. Briefings were held by SNWA providing information about the in-state water resources. As a result of those briefings, the Commission expressed a desire to publicly support the development of these water resources and asked staff at its last meeting to bring forward a resolution. The draft resolution, which is attached and made a part of these minutes (Attachment A), is similar to resolutions that have been adopted by the SNWA and its member agencies with respect to supporting the development of resources. The resolution has been modified somewhat because of the different circumstances surrounding the Colorado River Commission of Nevada and its roles and responsibilities. But, in essence it puts the CRC on record as supporting the development of these resources. Staff recommended that the Commission adopt Resolution 2006-01.

Chairman Bunker invited Delmar Leatham of Overton Power District No. 5 (OPD) to comment on the proposed resolution.

Mr. Delmar Leatham commented that Overton Power District No. 5 provides electric utility service in eastern Clark County; the two rivers (Muddy and Virgin) section of the county. Mr. Leatham asked that the Commission keep in mind, as the Commission looks at the development of water resources in northern Nevada as a regional asset, that there is a disproportionate impact to the areas that OPD provides electric service to. For every gallon of water that is consumptively used, OPD loses a kilowatt-hour of generation. An additional burden for the pumping load will be placed on the resources that OPD has, because the water will be required to be pumped from the resource site to where it can best serve the state. Mr. Leatham pointed out that OPD has only benefited from the hydropower and that OPD has never benefited from the waters of the Colorado River, nor have they pumped or taken any waters from the Colorado River. Mr. Leatham agreed that it is important to view the water resources as a regional asset that needs to be developed to the benefit of Nevada; but again reminded the CRC as it considers supporting the development of these rural waters, that the impact on the electrical system

minimizes the value of the hydropower to their community. While OPD encourages the development of the northern Nevada water resource, it should be recognized that growth would be beneficial in the rural areas as well; and without the water resource and affordable power in those areas, development cannot take place there either.

Chairman Bunker thanked Mr. Leatham for commenting and said that the Commission is in agreement. Chairman Bunker further stated that the Commission's support of this resolution in no way negates the responsibility that the CRC has to its customers, nor will the Commission back away in its commitment to its customers as it moves to increase the availability of additional resources on the river, which of course will be used and could be used for generation of hydroelectric power. Mr. Davenport's report on the discussions regarding shortages criteria and other developments on the Colorado River later in the meeting will elaborate that some very positive actions have taken place in regard to additional credit that the state may get for any developed in-state water resources that would be discharged into the Colorado River system.

Mr. Delmar Leatham thanked the Commission for the opportunity to comment and for the attention it gives to this issue. Mr. Leatham added that growth in the rural areas will happen, and agreed that without the support of a regionally-developed asset, growth may be restricted in the rural areas as well.

Commissioner Williams commented that it is to the entire states' advantage that in-state resources be utilized. It is the Commission's hope that Nevada will be able to get a fair and equitable amount of water from the Colorado River; without utilizing in-state resources, Nevada will not be able to.

Commissioner Robison added that he intends to vote in favor of this resolution but also sympathized with Mr. Leatham and shared the same concern for the communities and counties of eastern Nevada. Some of the limited hydroelectric resources from the Colorado River which have been assigned to the rural power districts through this Commission may be used to pump local water to Las Vegas thus minimizing the benefits of that hydropower. In the past, rural growth has been able to take place because of plentiful water. Now, that water may be potentially compromised because of transportation to the Las Vegas valley. The high-voltage transmission lines that will need to be built to serve the pumping loads will potentially make it possible for OPD to better serve their customers; however, those who live in the area will have to pay for the use of those transmission lines, which may neutralize the benefit. Commissioner Robison further stated that he believes in growth and believes that those communities will grow, and that the water transportation and electric plans that are in progress will assist those communities with growth. The Commission has a state-wide responsibility for all of the resources of the Colorado River for the benefit of Nevada and the SNWA has a regional responsibility for water resources that are granted to it by the Nevada State Engineer. The Commission also has a moral, if not legal, responsibility to see to and to assure that all future needs of the counties and communities that are most affected by these actions are sufficiently and appropriately addressed. Commissioner Robison said that he and Commissioner Bingham had the opportunity to meet with and be briefed in depth by Kay

Brothers of the SNWA a few weeks ago and with that information, he was prepared to vote in favor of this resolution.

Commissioner Batjer also stated that she will vote in favor of the resolution, and also shared some of the same concerns that Commissioner Robison had. However, she said that it is with some trepidation, because the state is entering into some taking and usage of water that never has been done in the manner and to the degree, and under the time frames that are now contemplated; that there may be unintended consequences. Commissioner Batjer understands that the State Engineer will provide the needed oversight under the authority of his own responsibility; however, when the Commission is planning 30 or 40 years ahead, the types of consequences are unknown. Commissioner Batjer stressed the importance of having all of the proper controls in place since it is unknown what will happen in the future, and asked if the Commission understood the recharge of the aquifers to the degree that is needed, and that there may be other pressures on the environment that are yet unknown. An article in the New York Times regarding the mining issues in northern Nevada was very illuminating by identifying issues that probably were not well understood 30 years ago. Commissioner Batjer further agreed that this is an extremely important statement to make, and will vote in favor of the resolution, although with some concern regarding the future consequences with taking the water in the amounts and time frames that are contemplated. Commissioner Batjer appreciated the comments shared by Mr. Leatham regarding the transmission as well, and said that she too was briefed by Kay Brothers of the SNWA and found that to be very helpful.

Chairman Bunker added that he has been on the ground floor of this project from day one, and can assure the Commission that every provision has been put into place that can possibly be put into place to protect the counties and communities that are going to be involved. Chairman Bunker further indicated that he understands what the particular interests are and explained that the SNWA is not going to do anything in the White Pine and Lincoln County area that cannot be sustained if scientific research does not indicate that it is going to be acceptable for the environment and the communities. If there is not enough water available to make it worthwhile, then the SNWA will not pursue the action. Chairman Bunker assured the Commission that if the project moves forward there will be some wonderful opportunities for all of the communities involved, and that the SNWA is encouraged by the progress being made and is appreciative of the support and comments that have been placed on record.

Commissioner Williams further added that, as a member of the SNWA and President of the Las Vegas Valley Water District, she agreed with Chairman Bunker's comments. Commissioner Williams also stated that nothing is ever etched in stone as far as 30 years from now. A lot of things have changed from 30 years ago, and it is understood that there may be unintended consequences; however, any problems that may occur can be addressed.

Commissioner Bingham said that he was appreciative of the briefings provided and stated that this debate has been going on over the last 20 years. He agreed that this is the best

solution for the State of Nevada and believes that the affected communities will benefit by potential employment opportunities which the state will probably monitor over the years to come. Commissioner Bingham further added that the water is a state resource, not a county resource.

Commissioner Robison indicated that paragraph 5 of the resolution recognizes the unique nature and vital importance of other counties, but there are communities within this county that are also impacted and suggested that two words, “and communities” be added to paragraph 5 of the resolution.

Chairman Bunker said that it would not be a problem to add the wording “and communities” to paragraph 5 of the resolution.

Commissioner Williams moved for approval of Resolution 2006-01 with the suggested change in wording. The motion was approved by a unanimous vote.

<p>G. Consideration of and possible action to approve an Amended and Restated Electric Power Supply Agreement (“Amended and Restated Supply Agreement”) between the Colorado River Commission of Nevada (“CRC”) and the Southern Nevada Water Authority (“SNWA”)</p>

Chairman Bunker commented that on January 9, 2006, Walt Higgins, the CEO of Sierra Pacific announced that there will be a large power project in Ely and suggested that this project will provide employment opportunities. Chairman Bunker also said that Walt Higgins spoke of an intertie between the north and south for transmission of electricity, and, that would also have a positive effect upon southern Nevada. Chairman Bunker further stated how important it was that issues were resolved between the SNWA, Nevada Power Company and the CRC; that NPC announced that it will be shutting down three of its older generators because they are no longer economical, and understands that NPC has developed or acquired new sources so that it can take some of the antiquated equipment out of service and still maintain the highest level of service that they possibly can. It was great that the resolution happened, and now the Commission can witness some very positive events occur because of that.

Executive Director George Caan indicated that Gail Bates would present the next three agenda items.

Mrs. Bates reported that the electric power supply agreement between the SNWA and the CRC is the vehicle used to purchase supplies and other services on behalf of the SNWA. The amended and restated electric power supply agreement makes specific key modifications to the previous agreement. The primary objective of the new agreement is to extend the scope of the CRC’s energy procurement activities to the SNWA’s member agencies who wish to participate in the SB211 program. Staff anticipates that in June of 2006 the Las Vegas Valley Water District (LVVWD) will transfer seven of its loads to the CRC’s Energy Services. The amended and restated electric power supply agreement provides for development of alternative billing mechanisms. The current billing

mechanisms in place between the CRC and the SNWA work well when there is only one entity involved. However, when other member agencies are introduced, flexibility will need to be built into the process to be able to identify different ways for the CRC to bill its customers. It also provides for the SNWA to financially guarantee the supplies that the CRC purchases, whether they are for the SNWA or for the member agencies that are participating in the SB211 program. It is very important for both parties to make clear who is financially backing the transactions under this agreement. Finally, it provides for all supplies that the CRC procures to be purchased and managed in accordance with the SNWA's risk management policies and procedures that are currently in place. In following that risk policy, the agreement calls for the CRC staff to have the ability to transact financial products for the purpose of controlling SNWA's price risk. The SNWA's primary objective is stable prices and no unbudgeted costs. Transacting these types of products will give the CRC the ability to ensure that. The SNWA previously approved the use of these products some time ago, and staff is asking for the CRC to be able to transact them as well.

Chairman Bunker asked if there were any questions of the Commission. There were none.

Commissioner Williams moved for approval. The motion was approved by a unanimous vote.

H. Consideration of and possible action on approval of:

- 1. Distribution-Only Service Agreement ("DOS Agreement") between Nevada Power Company ("Nevada Power"), the Las Vegas Valley Water District ("LVVWD"), and the Colorado River Commission of Nevada ("CRC") for service to certain LVVWD electrical loads.**
- 2. Service Agreement for Network Integration Transmission Service ("TSA") between Nevada Power Company ("Nevada Power"), the Las Vegas Valley Water District ("LVVWD"), and the Colorado River Commission of Nevada ("CRC") for service to certain LVVWD electrical loads.**

Mrs. Bates reported that these two contracts are necessary components of providing service to LVVWD under the SB211 program. These contracts are very similar to agreements in place for service to the SNWA loads. As part of the SB211 program, the CRC will be providing energy to the SNWA and its member agencies who participate and will continue to use the delivery system of the Nevada Power Company; both the transmission delivery system and the distribution delivery system. The agreements contain the rates, terms and conditions under which the CRC will utilize NPC's network. The transmission rates, terms and conditions were previously approved by the Federal Energy Regulatory Commission (FERC) and the Public Utility Commission of Nevada. Under the distribution agreement it is anticipated that LVVWD will be paying a maximum of \$1,000,000.00 in deferred energy exit fees to Nevada Power Company.

Those fees represent LVVWD's share of deferred energy balances that accumulated while it was a full retail customer of NPC. In paying that, LVVWD is ensuring that its switching of energy providers will not harm other NPC retail customers. Staff requested authorization for the executive director to execute both of these agreements.

Chairman Bunker commented that it appears that many opportunities have opened up, such as the use of distribution and transmission facilities since there is harmony between all of the agencies, and asked if NPC was doing all of the routing now.

Mrs. Bates replied that the CRC is using NPC's delivery system for any energy that is brought in as long as it is located inside of NPC's distribution-transmission network.

Chairman Bunker remarked that this would not have happened had the CRC not had an amiable agreement with NPC.

Mrs. Bates agreed that it has been a positive experience in having a cooperative relationship.

Chairman Bunker asked if there were any questions of the Commission. There were none.

Commissioner Bingham moved for approval. The motion was approved by a unanimous vote.

<p>I. Consideration of and possible action on ratification of an agreement for economic and financial consulting services with Exeter Associates, Inc., relating to management of the Southern Nevada Water Authority's electrical power portfolio.</p>
--

Mrs. Bates reported that for several months the CRC has had an independent contractor on-site full time. Mr. Dwight Etheridge has helped staff pull together a number of elements of the SB211 program. He has completed the initial cost benefit analysis associated with those loads, and has performed considerable work on developing alternative billing mechanisms for the CRC's customers while making sure that the CRC's accounting systems are in order along with a variety of other tasks associated with the SB211 program. Effective January 2006, Mr. Etheridge joined the firm Exeter Associates, Inc. In order to maximize the benefit of the work that has already been completed, staff would like to continue the relationship by contracting with Exeter Associates, Inc. In doing so, the CRC will have access to Mr. Etheridge's expertise and to the expertise of other Exeter staff. The contract is a two-year agreement with a not-to-exceed figure of \$200,000.00 annually. Mrs. Bates further explained that this contract was previously scheduled for the December Commission meeting which did not occur. In order to ensure continuity of service, staff executed the agreement and sent it to the Board of Examiners to get it on its January board agenda. Staff asked for ratification of the agreement, and pointed out that if the Commission elects not to ratify the contract, staff would pull the contract from the Board of Examiners' agenda.

Chairman Bunker asked if there were any questions of the Commission. There were none.

Chairman Bunker moved for approval. The motion was approved by a unanimous vote.

<p>J. Consideration of and possible action on approval of the “Third Amendatory Contract for Professional Services” with the law firm of Miller Balis & O’Neil, P.C., to extend the term of the contract and adjust hourly rates.</p>
--

Executive Director George Caan reported that the CRC has many issues that involve the Federal Energy Regulatory Commission (FERC). Since January of 2003, the CRC has employed Miller Balis & O’Neil, P.C., (MBO) as counsel to the CRC to provide a range of specialized legal services in dealing with FERC. MBO has been excellent to work with; they perform well and have a very qualified staff. This is an amendment to its existing contract to extend the term and adjust hourly rates. Staff requested the Commission approve the amendatory contract and authorize the Chairman to sign it.

Commissioner Robison asked if the contract is an on-going contract.

Mr. Caan replied that the contract is an on-going contract and has been in effect since January of 2003. Staff would like to continue to have their services in the event of future FERC issues. The CRC currently does not have any issues with FERC; however, issues can come up rather rapidly. The contract also includes an adjustment in hourly rates.

Commissioner Robison asked if the amendment changes the aggregate cost in addition to adjusting the billing rate.

Mr. Caan said that the aggregate cost remains at the not-to-exceed limit, and that MBO bills as needed for the kind of work they do.

Chairman Bunker asked if there were any further questions. There were none.

Commissioner Bingham moved for approval. The motion was approved by a unanimous vote.

<p>K. Update on the status of discussions regarding shortages criteria and other developments on the Colorado River.</p>

Mr. Davenport said that McClain Peterson would provide a presentation on the status of water supply and usage within in the last year.

Mr. Peterson’s presentation is attached and made part of these minutes (Attachment B).

Commissioner Batjer asked how the CPC/NOAA map was calculated, month-by-month, or, year-by-year? She further commented that it was astounding that so much progress was shown on coming out of the drought.

Mr. Peterson said that it is based on averages of rainfall, precipitation and snow pack. The map shown in the slide is updated weekly.

Commissioner Bingham added that when he was in Utah recently, there were unusually high temperatures and noticed that especially in elevations just below 7,000 feet that the rain was melting the snow. Commissioner Bingham asked if the figure is based on the weather or the snow pack, and if precipitation is taken into consideration.

Mr. Davenport replied that precipitation is taken into account as well, and that the condition of the snow pack is affected by the precipitation over time.

Commissioner Bingham asked if staff was aware of what percentage the snow pack is.

Mr. Davenport said that the percentages are listed in the slide shown.

Mr. Peterson added that it was previously mentioned that Utah had been a little warm over the last few months which resulted in low October, November and December in-flows into Lake Powell, including forecasted in-flow into January.

Chairman Bunker mentioned that in late December he was in Vale, Colorado, and they had an additional 17 inches of snow while he was there; and further commented that Vale has had more snow this year than they have had in the last five years. There will be some water, but it won't be known how much until the end of the snow year.

Mr. Peterson said that the snow year in southern Utah this year, compared to last year, is quite low.

Mr. Davenport reported on the meetings regarding the seven states' negotiation on shortage criteria. The states have been meeting in an attempt to find a recommendation to make to the Secretary of the Interior. In the course of doing so they have identified a number of larger issues between the states which need to be addressed in order to resolve conflicts regarding the shortage rule. The states had a very successful meeting in which the states were able to begin to resolve their positions. The meeting could be characterized as parties moving towards the center.

Looking at the problem in the long run, the states recognize, and Nevada particularly recognizes, that a solution is needed which produces more water in the Colorado River System in the next 20 to 30 years. One of the issues that the states have been discussing is a long-term augmentation method. The states have agreed to work together in a process that would bring in expertise, discuss some of the ideas which need discussion, and look at some sort of consortium project that would produce greater water for the entire Colorado River System. Some of those approaches could involve desalination or

other large projects. It is important to report that the states have agreed to enter into that process together to seek those substantial solutions for the long-term future. The states have agreed that Nevada should be entitled to look at ways to enhance or augment the Nevada supply from the Colorado River. This is not suggesting that the 300,000 maf apportionment of Nevada's allocation would be changed. The approach would be different than that. The first concept would be in the area of enhancing the system that is currently there. There are administrative procedures which allow for water to be lost to the system because of the way orders are taken in the river system. That water could be recaptured as it gets closer to the Mexican border and saved into the system and therefore made available to the users of the system. Current discussions are identifying a way that Nevada can participate in the saving of that water so as to produce additional water into the system. There has been a tentative agreement on an approach that the states would agree to.

Another issue occurs in the interim period between now and when a big system enhancement could occur. That issue is the introduction of non-Colorado River water into the Colorado River system. As the Commission is aware, the SNWA is working on development of resources in the state which could logically become wastewater into the Colorado River system. Staff is working on a means by which there could be a credit developed for Nevada for wastewater that is delivered into the system. The wastewater would enhance the existing water supply which Nevada could take from the river. The states have not agreed to how that would work, but it is under discussion. If those kinds of bridge mechanisms could be put into place, then the SNWA could be in the position of being able to defer the development of the Virgin River resources that is currently in the process of commencement of environmental compliance. There has been no determination to defer those resources, but there is a possibility that they could be deferred if the other bridge opportunities are made available.

In reference to the interim shortage guidelines, the current law is that if there is less water in the Colorado River system than necessary to meet a demand of 7.5 million acre feet (maf) in the lower basin, the Secretary would be authorized to declare a shortage. The Secretary would then have to determine who would have to take a shortage. The Colorado River Basin Project Act of 1968 specifies that projects that were developed prior to that act would not be required to take shortages before the Central Arizona Project. The act does not provide, nor is there a determination that the Secretary currently provides, the volume necessary to be taken by Arizona. The states have now agreed that they want to provide a shortage proposal to the Secretary that would include numbers communicating the shortage that Arizona would take and the extent to which Mexico and the state of Nevada would also be involved. The numbers have not been determined by the states, but the framework is very close to being in place.

Commissioner Bingham asked if this will be added to the Colorado River Basin Project Act of 1968 or does it relieve them from that.

Mr. Davenport replied that it does not relieve them of any provision of the 1968 Act.

Commissioner Robison asked if Nevada would have to give up something.

Mr. Davenport said that to the extent which Nevada would participate in the shortage is not yet determined. The issue is that the 1968 Act is capable of a couple of different readings, and the most conservative reading would be that Arizona should take the entire shortage. The more reasonable interpretation would be that it is in Nevada's interest that the lower basin look more for a more cooperative approach that all states participate in the shortage. California is not in agreement, but that is the negotiating position the CRC is coming from. Staff also believes it is advisable to consider a preference for municipalities during shortages, at least in which shortages are not so deep. That is only a tentative position at this point in time.

The approach being developed by the states would also require what is being called "coordinated reservoir management." Currently the only reservoir that could be involved in shortage management would be Lake Mead. The states are discussing involvement of both Lake Powell and Lake Mead in reservoir management that would be used during the shortage period. This raises issues of both the Compact and the 1968 Act, which has equalization and other management provisions. Discussions regarding these issues raise concerns of the upper basin about what they would regard as over deliveries into the lower basin. The states are currently working on those issues. A lot of progress has been made. A resolution between the upper and lower basin states can be accomplished so that the Secretary can engage in multiple reservoir management in times of shortage.

In reviewing these issues, the states have discovered that it would be beneficial to go back and collect the determinations that are in the surplus guidelines and develop full reservoir management guidelines and policy, rather than having separate surplus and shortage rules. It is possible that a recommendation from the states will be to take the surplus rules and tuck them into what is currently being discussed, and if that is accomplished, then perhaps extend the time of application of both to 2015. It is anticipated that a recommendation will be provided to the Secretary by the 1st of February.

Commissioner Bingham asked if negotiation was between seven states or two.

Mr. Davenport said that there are discussions that are only between the upper basin states, between the lower basin states, and discussions that include all seven states.

Chairman Bunker asked if it was accurate to say that the other six states are acutely aware of the need that Nevada has in the short term.

Mr. Davenport agreed that the other six states are acutely aware of Nevada's needs.

Chairman Bunker said that the states are focused in on trying to find short-term solutions to help Nevada so that the long-term and/or new possibilities of service can be developed.

Chairman Bunker asked if there were any questions from the Commission. There were none.

L. Comments and questions from the public

Chairman Bunker asked if there were any questions from the public. There were none.

M. Comments and questions from the Commission members

Chairman Bunker asked if there were any questions from the Commission. There were none.

N. Next meeting date selection.

The next meeting is tentatively scheduled for Tuesday, February 14, 2006, at the Grant Sawyer Building at 10:00 a.m.

The meeting adjourned at 11:30 a.m.

/signature/
George M. Caan, Executive Director

APPROVED:

/signature/
Richard W. Bunker, Chairman